



Federal Loan Default Prevention and Management Plan

Section I Overview

The default plan is set in place to ensure that students are aware of their repayment obligations during their studies, upon graduation and at the end of any grace periods. The purpose is to reduce, if not eliminate, the number of students who default on repayments to their loans. The Hebrew University of Jerusalem uses the Sample Default Prevention and Management Plan provided by the U.S. Department of Education as it contains activities, techniques, and tools to promote student and school success and reduce student loan defaults.

Benefits of Adopting a Default Prevention and Management Plan

The activities in this Default Prevention and Management Plan promote student and school success by increasing retention and reducing delinquency and default. Schools and students receive benefits when schools implement the activities, techniques, and tools outlined in this plan. Schools benefit by avoiding any limitations on participation in the loan programs due to excessive cohort default rates (CDRs). Students benefit by having continued access to Title IV Student Financial Assistance Programs, learning good debt management practices, and establishing a healthy credit history. Schools that are actively committed to promoting student success help their students learn, graduate, obtain employment, and demonstrate financial responsibility through repayment of the funds borrowed to finance their education.

Consequences of Default for Borrowers

Borrowers who default on student loans face serious consequences. Stafford Loans are considered in default after 270 days without payment. At the time of default, outstanding interest is capitalized and collection fees may be added, resulting in a loan balance that is higher than the amount borrowed. Defaulted loans are reported to credit bureaus, causing borrowers to sustain long-term damage to their credit rating. Defaulters may also face difficulty in securing mortgages or car loans, may have their



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wages garnished, and their federal income tax refunds and other federal payments seized. Until the default is resolved, collection efforts continue and the defaulter will be ineligible for additional federal student aid. The Department, guarantors, and servicers undertake many activities to prevent borrowers from defaulting.

Consequences of Default for Schools

Schools may face serious consequences due to high CDRs. Consequences include the loss of participation in the Direct Loan programs. Schools may also be provisionally certified. Effective, easy-to-implement tools that reduce defaults, promote student and school success, help preserve the integrity of the loan programs, and reduce costs to taxpayers are available to schools.

Default Prevention and Management Activities

- Entrance Counselling
- Financial Literacy for Borrowers
- Communication Across Campus
- Exit Counselling
- Timely and Accurate Enrollment Reporting
- Analyze Defaulted Loan Data to Identify Defaulter Characteristics

Section II Early Stages of Enrollment

The U.S. Department of Education recommends that every school implement a default prevention and management plan. Schools and borrowers benefit when schools incorporate default prevention and management activities into their operations. Schools can undertake these required and recommended activities that make up a default prevention and management plan as early as during student enrollment in order to reduce the incidence of default.

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Entrance Counseling

Regulations require that borrowers of the Direct Loan program loans receive entrance counseling. During entrance counseling, the Department of Education explains how the master promissory note works, emphasize the importance of repaying the loan, describe the consequences of default, and show borrowers sample monthly repayment amounts.

Financial Literacy for Borrowers

The Department recommends that schools provide borrowers with information concerning the income potential of occupations relevant to their course of study, counseling at various stages of enrollment, interactive tools to manage debt, repayment options, and school contact information. Schools can offer this information through a variety of media such as counseling, classes, publications, e-tutorials, electronic newsletters to email accounts, adding the information to award letters, or using a combination of methods. The University can help guide the student to find information on the following:

- Estimate of required monthly payments on the borrower's loan balance,
- Calculators to help estimate and manage debt,
- Loan servicer contact information,
- Introduction to NSLDS for Students,
- *Repaying Your Student Loans* publication.

Early Identification and Counseling for Students at Risk of Withdrawal

Students at-risk generally refers to borrowers who withdraw prematurely from their educational programs, borrowers who do not meet standards of satisfactory academic progress or both. Counseling at-risk borrowers should focus on the causes of withdrawal or unsatisfactory academic progress and solutions to resolve these matters. Academic advisors, professors, faculty, and the financial aid office all work together with the student to resolve any issues that may lead to withdrawal.



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Communication Across Campus

All relevant departments communicate regularly regarding students academic progress and enrollment status to ensure the right aid is getting to the right student. This campus-wide communication helps schools comply with regulations regarding the school's standards of administrative capabilities, accurate and timely reporting of borrowers' enrollment status, and satisfactory academic progress.

Section III Late Stages of Enrollment

During the later stages of enrollment and after students have left school, there are many default prevention and management activities that will help reduce defaults and help ensure borrower and school success.

Exit Counseling

Graduating students and withdrawing students are reminded that they must undertake Exit Counselling as part of the conditions of borrowing US Federal Direct Loans. Exit counseling is the opportunity to clear up any misconceptions students may have about their loan obligations and re-emphasize the consequences of default.

Timely and Accurate Enrollment Reporting

Timely and accurate enrollment reporting to NSLDS is required by regulation and promotes school and student success. There is a direct correlation between late or inaccurate enrollment reporting and loan defaults.

This school activity ensures that borrowers receive their full grace period, and further ensures that contacts from the loan servicer such as correspondence and telephone calls occur in the appropriate timing and sequence. The servicer's contacts are designed to increase the likelihood that borrowers will satisfy loan obligations. Timely and accurate reporting of changes in enrollment status is required of all schools.



Section IV After Students Leave School

NSLDS Date Entered Repayment (DER) Report

The DER Report is available to schools upon request from NSLDS. The Department recommends that on a bi-monthly basis schools compare their DER Report to their institutional records, and make any necessary corrections to their borrowers' status using NSLDS Enrollment Reporting. Schools should not assume that a borrower's DER is correct, as it is subject to change. Lenders can change a student's enrollment status based on data from the clearinghouse or a student's request. Likewise, a school can update enrollment information based on information it receives from the student or another reliable source. Reviewing the DER Report will result in more accurate data, assuring that borrowers enter repayment in the correct cohort year and that schools receive accurate cohort default rates (CDRs).

Early Stage Delinquency Assistance (ESDA)

ESDA begins at the time of separation or early in the grace period. ESDA is a highly focused effort by lenders, guarantors, and schools to assist particular borrowers to prepare for entry into loan repayment. Certain borrowers, such as those who have failed to complete their academic program, or borrowers who share specific characteristics or academic or related experiences, may be more likely to encounter difficulties initiating and maintaining on-time loan repayment. ESDA activities afford lenders, guarantors, and schools an opportunity to provide focused, enhanced loan counseling, borrower education, and personal support during the grace period, and in so doing help decrease the chances of later loan default. In addition to ESDA, schools should utilize default aversion assistance offered by guarantors and similar assistance from the Direct Loan Servicer for borrowers who are at least 60 days delinquent.

Late Stage Delinquency Assistance (LSDA)

Though guarantors and the Direct Loan Servicer are extremely effective in working with borrowers throughout repayment, they lose touch with some borrowers. Schools can often help to re-establish this critical communication during the late stages of delinquency, serving as a liaison between delinquent borrowers and staff experienced in borrower assistance. LSDA techniques enable schools to



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rescue severely delinquent borrowers, those who are more than 240 but less than 361 days delinquent, from default.

Maintain Contact with Former Students

Schools find that all of the practices and strategies mentioned previously are much easier to employ if they are able to reach and keep in contact with their former students after they have left campus. One of the best methods schools can employ to avert defaults is to work with borrowers during every stage of repayment. Work with lenders, guaranty agencies, and servicers to identify delinquent and hard to reach borrowers, or those who have not been contacted at all to assist them with their repayment options and obligations. Contacting borrowers is an essential activity upon which successful default prevention and management can be built. Contact from the school may be the only effective technique to save a borrower from the negative consequences of default.

Loan Record Detail Report (LRDR) Data Review

Although an aggressive and proactive approach to default prevention and management is a must for all schools, school responsibilities do not end with prevention plans, initiatives, and strategies. Schools, borrowers, and the loan programs in general all benefit from a thorough examination of the draft and official CDR data to ensure that the rates are accurate and include the correct borrowers and loans. Upon receiving their rates, schools should examine their LRDR, the report containing all the data that comprises the CDR calculation. The Department recommends that all schools review their LRDR regardless of their CDR. It is the school's responsibility to challenge incorrect data reflected in their draft CDR, or request an adjustment, or submit an appeal of inaccurate data as reflected in their official CDR.

Analyze Defaulted Loan Data to Identify Defaulter Characteristics

No matter how effective and far-reaching a default prevention and management plan is, some borrowers default. A major part of any plan is to periodically review progress in preventing defaults. One element of this review is a comprehensive analysis of defaulters. Schools should gather information to discern who is defaulting and why. Schools can then use this information to improve their default

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prevention and management practices and initiatives. Internal data includes key information such as high school attended, program of study, demographics, grades, etc. Reviewing the LRDR also provides key data about borrowers that can assist in determining common characteristics among defaulters. Frequent examination of defaulter characteristics coupled with an assessment of default prevention and management successes and shortcomings provide valuable information. Schools promote success by taking preventive measures to correct ineffective practices thereby preventing current and future borrowers from experiencing the same difficulties that plagued past defaulters. One solution to preventing future defaults lies in understanding what caused past defaults.

Section V Tools and Activities

These recommended tools for schools ensure data accuracy and employ effective loan counseling and default prevention and management techniques to aid students and schools.

FSA Assessments for Default Prevention and Management -

<http://www.ifap.ed.gov/qamodule/DefaultManagement/DefaultManagement.html>

Loan Counseling

Students and Counselors - <http://www.studentaid.ed.gov>

The Student Guide and NSLDS for Students - <http://www.studentaid.ed.gov>

How much will it cost? - <http://nces.ed.gov/ipeds/cool/> ; <http://www.dlssonline.com/tools/search.asp>
(for Direct Loan Borrowers)

How will I pay for it? - http://studentaid.ed.gov/students/publications/student_guide/index.html

Will I make enough money in my chosen occupation to repay student loans I receive? -

<http://www.bls.gov/search/ooh.asp?ct=OOH> ; <http://data.bls.gov/PDQ/outside.jsp?survey=nc>



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Repaying Your Student Loans -

http://www.studentaid.ed.gov/students/publications/repaying_loans/index.html

Ombudsman Office - <http://www.ombudsman.ed.gov>

Ensuring Student Loan Repayment Best Practices for Schools -

<http://www.ifap.ed.gov/eannouncements/0119stuhbkbestpractice.html>

SFA Assessments for Schools -

<http://www.ifap.ed.gov/IFAPWebApp/qualityassurance/SFAAssessment.jsp>

Mapping Your Future - <http://www.mapping-your-future.org>

Jump Start Coalition for Personal Financial Literacy - <http://www.jumpstart.org>

Enrollment Reporting and Data Accuracy

NSLDS Enrollment Reporting Guide -

<http://www.ifap.ed.gov/nsldsmaterials/010904NSLDSEnrollRepGuide.html>

NSLDS Date Entered Repayment Report, School Repayment Information Loan Detail Report, and Enrollment Reporting Summary Report - <https://www.nslsdfap.ed.gov>

NSLDS Reports, requesting and formatting questions - <https://www.nslsdfap.ed.gov> Reports Tab

NSLDS User ID

CPS/WAN Technical Support 1-800-330-5947 and NSLDS Customer Support 1-800-999-8219

Cohort Default Rate Guide for information on challenges, adjustments, and appeals -

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>

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Default Prevention

FSA Assessments - <http://www.ifap.ed.gov/qamodule/DefaultManagement/DefaultManagement.html>

Ensuring Student Loan Repayment Best Practices -
<http://www.ifap.ed.gov/eannouncements/0119stuhbkbestpractice.html>

NSLDS Reports and Exit Counseling - <https://www.nslsdfap.ed.gov>

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Late Stage Delinquency Assistance (LSDA) Guide: For Direct Loan Schools, Direct Loan Servicing/Schools website, accessed via COD website - <http://www.cod.ed.gov>

General Connections/Publications

Information for Financial aid Professionals (IFAP) Library with publications, training, tools, references, laws, etc. - <http://www.ifap.ed.gov>

The Office of Federal Student Aid - <http://www.ed.gov/about/offices/list/fsa/index.html>

The Student Guide - <http://www.studentaid.ed.gov>

NSLDS - <https://www.nslsdfap.ed.gov> or <https://www.nslsdfap.ed.gov/secure/logon.asp>

ED Pubs, the Department of Education Online Publication Ordering System, helps you identify and order free publications from the Department. Examples of resources available at ED Pubs include the following:

- Repaying Your Student Loans (in English and Spanish)
- *The Student Guide*
- *Getting Ready to Pay for College*
- *Counselors and Mentors Handbook*

www.edpubs.org or 1-877-4ED-Pubs or edpubs@inet.ed.gov

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